UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

KINETIC CONCEPTS, INC., KCI LICENSING, INC., KCI USA, INC., And WAKE FOREST UNIVERSITY HEALTH SCIENCES,	§	
Plaintiffs - Cross-Defendants,	§	
v.	§	No. SA-03-CA-0832-RF
BLUESKY MEDICAL GROUP INC., MEDELA AG, MEDELA, INC., and PATIENT CARE SYSTEMS, INC.,	§	
Defendants - Cross-Plaintiffs.	§	

ORDER DENYING DEFENDANT BLUESKY'S MOTION FOR PARTIAL SUMMARY JUDGMENT ON PLAINTIFFS' COUNTS III-VIII AND XIV

BEFORE THE COURT is Defendant Bluesky Medical Group, Inc.'s Motion for Partial Summary Judgment on Counts Three through Eight and Fourteen of Plaintiffs' Complaint (Docket No. 185) and Plaintiffs' Response (Docket No. 232). After due consideration, the Court finds that Defendants' Motion should be DENIED.

Background information concerning this patent infringement matter has been set forth previously in the Court's Order Construing Patent '643 Claim Terms filed on June 28, 2005 (Docket No. 258).

STANDARD OF REVIEW

Summary judgment is appropriate if, after adequate time for discovery, no genuine issue as to any material facts exists, and the moving party is entitled to judgment as a matter of law.[1] Where the issue is one for which the nonmoving party bears the burden of proof at trial, it is sufficient for the moving party to identify those portions of the record which reveal the absence of a genuine issue of material fact as to one or more essential elements of the nonmoving party's claim.[2] The nonmoving party must then "go beyond the pleadings and by her own affidavits, or by the 'depositions, answers to interrogatories, and admissions on file,' designate specific facts showing that there is a genuine issue for trial."[3] To prevail on summary judgment, the moving party need only demonstrate that "there is an absence of evidence to support the nonmoving party's case."[4] Upon viewing the evidence and all reasonable inferences therefrom in the light most favorable to the nonmoving party, the court, in order to grant summary judgment, must be satisfied that no rational trier of fact could find for the nonmoving party as to each element of his case.[5]

DISCUSSION

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[1] FED.R.CIV.P. 56(c); *Celotex Corp v. Catrett*, 477 U.S. 317, 322-24 (1986).

[2] *Celotex*, 477 U.S. at 323-24.

[3] *Id.* at 324.

[4] *Id.* at 325.

[5] *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986).

1. Count Three: Federal Trademark Dilution

Defendant BlueSky moves for summary judgment as to Plaintiff KCI's claim of federal trademark dilution. Dilution is defined as the lessening of the capacity of a famous mark to identify and distinguish goods or services.[6] In order to prevail on a claim under the Federal Trademark Dilution Act ("FTDA"), the plaintiff must prove that:

> (1) the mark is famous and distinctive;
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> (2) the infringer adopted the mark after the mark had become famous and distinctive; and
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> (3) the infringer caused dilution of the mark.[7]

BlueSky challenges the first and third elements, as to KCI's "V.A.C." and "Vacuum Assisted Closure" marks.

Regarding element (1), several factors may be considered in determining the fame of a particular mark, including: (a) the degree of inherent or acquired distinctiveness of the mark; (b) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (c) the duration and extent of advertising and publicity of the mark; (d) the geographical extent of the trading area in which the mark is used; (f) the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought; (g) the

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[6] 15 U.S.C. § 1127 (West 1998).

[7] 15 U.S.C. § 1125(c)(1).

nature and extent of use of the same or similar marks by third parties and (h) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.[8]

BlueSky argues that KCI merely alleges the unsubstantiated fame of its marks--without the necessary proof to survive summary judgment. However, the record demonstrates a genuine issue of material fact as to the fame of the "V.A.C." and "Vacuum Assisted Closure" marks. As KCI contends, a trademark need only be famous within the relevant market.[9] The "V.A.C." and "Vacuum Assisted Closure" marks have been registered and actively marketed to healthcare professionals for nine and three years, respectively. KCI's witness, Dr. Dairman, testified that he associates both of the marks with their manufacturer, KCI.[10] Also, Dr. Reisetter, having conducted a survey, concludes that both the V.A.C.-brand products and KCI have extremely high levels of name recognition and brand equity within the healthcare field.[11] BlueSky's contention

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[8] 15 U.S.C. § 1125(c)(1).

[9] *Advantage Rent-A-Car v. Enterprise Rent-A-Car*, 238 F.3d 378, 380 (5th Cir. 2001).

[10] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 19; Pl. App. Ex. E at 26:11-23.

[11] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 16; Pl. App. Ex. N at 15. The survey meets the minimum standards required to be considered as competent evidence on a motion for summary judgment. *See* Pl. Surreply to Def. Reply to Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 329), Exs. 4 and 5. Two factors are relevant in assessing the validity of a survey: (1) the manner of conducting the survey, including especially the adequacy of the universe; and (2) the way in which the participants are questioned. *Scott Fetzer Co. v. House of Vacuums, Inc.*, 381 F.3d 477, 487 (5th Cir. 2004) (citing *Exxon Corp. v. Tex. Motor Exchange of Houston, Inc.*, 628 F.2d 500, 506 (5th Cir. 1980)). KCI also provides deposition testimony from a second expert, corroborating the efficacy of the survey design. Pl. Response to Def. Motion for Partial Summary

that the survey is flawed creates the very fact question that is appropriately tried before a jury. Moreover, BlueSky's own advertising campaign relies on this brand recognition: "Are you getting VACuumed by your current wound drainage company?" [12] Therefore, the summary judgment evidence creates a genuine issue of material fact as to the fame of the "V.A.C." and "Vacuum Assisted Closure" marks.

As to element (3), whether BlueSky has caused dilution of KCI's marks, BlueSky challenges the sufficiency of evidence supporting either of the two recognized forms of dilution, blurring and tarnishment.[13] KCI alleges both forms of dilution. "Blurring involves the gradual whittling away or dispersion of the identity and hold upon public mind of the mark or name by its use in noncompeting goods."[14] "Tarnishment results when one party uses another's mark in a manner that tarnishes or appropriates the goodwill and reputation associated with the mark."[15] Proof of actual dilution is required; at least where the marks are not identical, mental association alone is insufficient to establish actionable dilution.[16]

Both KCI and BlueSky cite case law which purports to exclude competing goods

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Judgment (Docket No. 232) at 8; Pl. App. Ex. O at 3.

[12] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 19; Pl. App. Ex. K.

[13] *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 n.12 (5th Cir. 2000).

[14] *Id.*

[15] *Id.*

[16] *Moseley v. V Secret Catalogue*, 537 U.S. 418, 433-34 (2003).

from protection under the blurring form of dilution.[17] However, KCI points out that the statute itself does not contain any such limitation but, rather, expressly stands for the opposite proposition.[18] Still, the case law of this jurisdiction clearly states that blurring may only occur between noncompeting goods.[19] The Court need not reach the legal viability of the blurring theory, as applied to competing goods, at this time, due to a genuine issue of material fact as to tarnishment.

Under the law of tarnishment, competing goods are potentially actionable. Though the viability of tarnishment as a form of dilution has been questioned by the Supreme Court, dilution by tarnishment remains good law in the Fifth Circuit.[20] Tarnishment occurs when a trademark is "linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context, with the result that the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods."[21]

KCI contends that BlueSky's use of the "V.A.C." mark in its advertising campaign

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[17] *Westchester Media*, 214 F.3d at 670 n.12 ("Blurring involves the gradual whittling away or dispersion of the identity and hold upon public mind of the mark or name by its use in *noncompeting* goods" (emphasis added)).

[18] 15 U.S.C. § 1127 (dilution may be found "...regardless of the presence or absence of–(1) competition between the owner of the famous mark and other parties..."). The statute does, however, exclude comparative commercial advertising. *See* 15 U.S.C. § 1125 (C)(4)(A).

[19] *Westchester Media*, 214 F.3d at 670 n.12. The legislative history of the Lanham Act supports this interpretation. *See I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 477 (1st Cir. 1998) (discussing both the statute and the legislative history and considering a claim of blurring amongst competing goods).

[20] *Scott Fetzer Co.*, 381 F.3d at 489 n.8.

[21] *Id.* (quoting *Hormel Foods Corp. v. Jim Henson Productions*, 73 F.3d 497, 507 (2d Cir. 1996) (internal citations omitted)).

has caused actual tarnishment.[22] Specifically, KCI argues that BlueSky's advertising slogan, "Are you getting VACuumed by your current wound drainage company?" necessarily disparages KCI and tarnishes its mark. KCI argues that BlueSky's entire advertising campaign is designed to create an express and implied association between the two products at issue in this case. Moreover, KCI provides deposition testimony from physicians and a patient that the V1 performs poorly, as compared to the V.A.C.-brand wound drainage system.[23] Additionally, KCI avers that BlueSky's conduct, paying Internet search engines to link the "V.A.C." mark with BlueSky's website,[24] misappropriates the goodwill associated with and tarnishes the "V.A.C." mark.

KCI does not provide any evidence of the attendant lessening of the capacity of KCI's marks to identify and distinguish its products. KCI offers evidence that BlueSky has attempted to associate the V.A.C.-brand system with the V1 and that the V1 has performed poorly. Yet, association alone is insufficient evidence to support a claim of dilution. The addition of the poor performance of the V1, without some evidence that the ineffectiveness is imputed to KCI, does not establish adequate support for KCI's dilution

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[22] There is insufficient evidence in the record to support the contention that BlueSky has impermissibly used KCI's "Vacuum Assisted Closure" mark, particularly since KCI relinquished all rights to "Vacuum Assisted" when not used in conjunction with the word "Closure." Deposition testimony does not establish that the phrase "Vacuum Assisted Closure," in its entirety, was purchased from Internet search engines in order to establish a link to BlueSky's website. Moreover, BlueSky's comparative advertisements, when using this mark, expressly reference KCI's proprietary technology.

[23] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 9; Pl. App. Ex. E at 34:12-21; App. Ex. M at 39:8-40:9 and 42:24-45:13; App. Ex. D at 44:25-45:9.

[24] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 21; Pl. App. Ex. B at 192:14-193:11.

claim. On the summary judgment record, KCI does not provide evidence of actual dilution–that the "V.A.C." mark is now any less effective from the perspective of the consumer in identifying or distinguishing the KCI products as a result of BlueSky's conduct.[25]

However, use of the identical mark, alone, may be sufficient to find actual dilution.[26] BlueSky, twice, explicitly uses the "V.A.C." mark–in its advertising slogan and as an Internet keyword linked to its website.[27] Though BlueSky is not using the "V.A.C." mark to identify the origin of its own products, BlueSky's associational, non-trademark use of the identical mark potentially weakens the distinctiveness and ability of

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[25] Illustratively, though Victor's Little Secret evoked an association with Victoria's Secret and the "Victor's Little Secret" mark was used in conjunction with the sale of allegedly unwholesome items, the plaintiff could not prove actual dilution because the reputation of the "Victoria's Secret" mark was not diminished. *Moseley*, 537 U.S. at 433-34. In that case, a consumer was angered by the use of the Victoria's Secret mark by Victor's Little Secret but did not impute that hostility or unwholesomeness to Victoria's Secret in any way that harmed or diluted the capacity of the Victoria's Secret mark to distinguish its goods from the defendant's goods. *Id.*

[26] "It may well be, however, that direct evidence of dilution such as consumer surveys will not be necessary if actual dilution can reliably be proven through circumstantial evidence -- the obvious case is one where the junior and senior marks are identical." *Id.*; *see also Savin Corp. v. Savin Group*, 391 F.3d 439 (2nd Cir. 2004), *cert. denied*, *Savin Eng'rs, P.C. v. Savin Corp.*, 2005 U.S. LEXIS 6048 (U.S., Oct. 3, 2005) (stating "where a plaintiff who owns a famous senior mark can show the commercial use of an identical junior mark, such a showing constitutes circumstantial evidence of the actual-dilution element of an FTDA claim" and "...for the presumption of dilution to apply, the marks must be identical").

[27] Though nominative fair use and comparative advertising are defenses to violations of the Lanham Act, neither apply to these two uses of KCI's mark by BlueSky, such that summary judgment would be appropriate on the issue of dilution. *See* 15 U.S.C. § 1125(c)(4)(A); *see Pebble Beach Co. v. Tour 18 I*, 155 F.3d 526, 545-546 (5th Cir. 1998) (stating "[l]ikewise, one can use another's mark truthfully to identify another's goods or services in order to describe or compare its product to the markholder's product...[t]his right to use a mark to identify the markholder's products--a nominative use--however, is limited in that the use cannot be one that creates a likelihood of confusion as to source, sponsorship, affiliation, or approval" (internal citations omitted)); *see also New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 306-09 (9th Cir. 1992).

the mark to designate the origin of KCI's wound treatment products. Therefore, sufficient facts have been alleged to warrant a jury determination on KCI's dilution claim.

2. Count Four: Violation of Texas Anti-Dilution Statute

Defendant BlueSky moves for summary judgment with respect to Plaintiff KCI's claim of dilution under the Texas statute.[28] Under Texas state law, KCI must show that it owns the distinctive marks and that there is a likelihood of dilution–as opposed to the actual dilution required by the FTDA.[29] A likelihood of dilution, a less stringent standard than employed by the FTDA, may result from either blurring or tarnishment.[30] Competition between the parties is not relevant to the determination of culpability under the Texas statute.[31] Therefore, for the reasons stated above (*supra* section 1), BlueSky's motion for summary judgment, as to KCI's state dilution claim, is DENIED.

3. Count Five: Federal False Advertising

Defendant BlueSky moves for summary judgment with respect to Plaintiff KCI's claim of federal false advertising. An actionable false advertising claim, pursuant to 15 U.S.C. § 1125(a)(1)(B), must consist of:

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[28] Tex. Bus. & Com. Code Ann. § 16.29 (West Supp. 2001).

[29] *Scott Fetzer Co.*, 381 F.3d at 490 n.9.

[30] *Exxon Corp. v. Oxxford Clothes, Inc.,* 109 F.3d 1070, 1081 (5th Cir. 1997).

[31] *See Horseshoe Bay Resort Sales Co. v. Lake Lyndon B. Johnson Improvement Corp.*, 53 S.W.3d 799, 811 n.6 (Tex. App. - Austin 2001).

(1) A false or misleading statement of fact about a product;

(2) Such statement either deceiving, or having the capacity to deceive a substantial segment of potential consumers;

(3) The deception being material, in that it is likely to influence the consumer's purchasing decision;

(4) The product being in interstate commerce; and

(5) The plaintiff having been or likely to be injured as a result of the statement at issue.[32]

BlueSky contends that KCI cannot sustain its false advertising claim, for lack of a genuine issue of fact concerning elements (1), (2), and (5).

(1) ***A false or misleading statement of fact about a product.***

Bald assertions of superiority or general statements of opinion cannot form the basis of Lanham Act liability.[33] Rather the statement at issue must be a "specific and measurable claim, capable of being proved false or of being reasonably interpreted as a statement of objective fact."[34] Unsubstantiated comparison claims made in an advertisement have been found *per se* false.[35]

KCI asserts that BlueSky's entire advertising campaign relies on the erroneous comparison of the two companies' products–BlueSky claiming that the V1 performs the same

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[32] *Pizza Hut v. Papa John's Intn'l*, 227 F.3d 489, 495 (5th Cir. 2000).

[33] *Id*. at 496 (citing *Presidio Enters., Inc. v. Warner Bros. Distrib. Corp.*, 784 F.2d 674, 685 (5th Cir. 1986)).

[34] *Id*. (quoting *Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co.*, 173 F.3d 725, 731 (9th Cir. 1999)).

[35] *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm. Co.*, 290 F.3d 578, 586 (3d Cir. 2002).

function as the V.A.C.-brand wound drainage system at a lesser cost. In so doing, KCI contends that BlueSky misrepresents the capabilities and characteristics of its product. Based on deposition testimony, BlueSky concedes that, while it has performed case studies involving BlueSky products, it has not conducted any clinical comparison studies between the two products at issue in this case.[36] Moreover, KCI argues that BlueSky also affirmatively makes false representations regarding the V.A.C.-brand wound drainage system in its comparative literature. A BlueSky statement declares that KCI's product is approved specifically for wound drainage, where as, the V1 performs a variety of functions–with the implication that the V.A.C.-brand system is unidimensional.[37] There is no evidence on record, however, demonstrating that the V.A.C.-brand system has multiple uses and that the statement is, therefore, literally false.

KCI also argues that BlueSky's cost effectiveness comparisons are false or misleading. BlueSky alleges in its advertisements that a hospital can save between $100,000 and $500,000 by using the V1.[38] The savings estimate, certainly a measurable fact, is based on the base product and supply costs. The $500,000 exceeds the maximum savings enumerated in other BlueSky documents, detailing the actual calculations and claiming a savings of $342,500–though still within the enunciated range.[39] Other related advertisements state, "Consider a better alternative."[40] The slogan alone, is not the type of quantifiable fact that can sustain a false

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[36] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 4; Pl. App. Ex. B at 133:14-18; Pl. App. Ex A at 195:15-22.

[37] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 5; Pl. App. Ex. I.

[38] Def. Motion for Partial Summary Judgment (Docket No. 185), Ex. 8

[39] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232), Ex. J.

[40] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232), Ex. F.

advertising claim.[41] However, read in context of the greater ad campaign, including the assertion of cost-effectiveness, KCI contends that the statements are false or misleading. There is, however, no evidence that consumers necessarily associate the slogan with the cost benefit analysis.[42]

KCI also argues that Reisetter's survey demonstrates that cost effectiveness, as understood by healthcare professionals, incorporates the efficacy of the total treatment regime, including the ancillary costs of the unintended consequences associated with treatment–not simply on the basis of material product cost.[43] KCI deposed two physicians who both testified to specific instances in which the V1 did not heal patients' wounds as well as or as cost-effectively as KCI's system. Therefore, KCI contends that the cost-effectiveness, as understood by healthcare professionals, of the V1 constitutes a false or, at the very least, a misleading statement.

KCI presents additional evidence in support of its false advertising claim. A BlueSky consultant admits that the V1 does not qualify for the designation, "Negative Pressure Wound Therapy," according to Medicare's definition.[44] Yet, BlueSky employs this language in promotional posters and in press releases to describe its product.[45] Also, BlueSky has procured clearance from the FDA to market the V1 as "may promote wound healing," however, a V1

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[41] *See Pizza Hut*, 227 F.3d at 498-99 (stating that the slogan "Better Ingredients, Better Pizza" does not run afoul of the Lanham Act).

[42] *Id*.

[43] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 9; Pl. App. Ex. N at 1.

[44] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 6; Pl. App. Ex. C at 94-9.

[45] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 5; Pl. App. Ex. G.

promotional poster arguably implies that the V1 affirmatively promotes healing–a designation that the V1 has not earned from the FDA.[46] In fact, one of BlueSky's own employees admits that the V1 is not comparable to the V.A.C.-brand wound drainage therapy and cannot be used in the same manner as KCI's system.[47] Yet, BlueSky's representations seem to be inapposite. Consequently, a genuine issue of material fact exists, as to the first element of KCI's false advertising claim.

(2) *Such statement either deceived, or had the capacity to deceive a substantial segment of potential consumers.*

If BlueSky's representations in its advertisements are literally false, they are presumptively deceptive.[48] If, however, the statements are either ambiguous or true, but misleading, KCI must provide evidence of the statements' material impact on consumers.[49] Materiality is demonstrated by evidence of actual deception.[50]

First, BlueSky contends that KCI's survey, performed by Dr. Reisetter, did not poll potential consumers and, consequently, cannot support KCI's contention that its prospective customers were deceived or that the advertisements had the capacity to deceive. In support of its contention, BlueSky argues that KCI's survey did not inquire into the purchasing authority of the

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[46] *Id*.

[47] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 4; Pl. App. Ex. A at 177:1-10.

[48] *See Pizza Hut*, 227 F.3d at 495.

[49] *Id*. at 497.

[50] *Id*.

respondents. This assertion, however, lacks merit. KCI points out that BlueSky's marketing strategy, by admission, directly targets healthcare professionals.[51] Consequently, BlueSky cannot now aver that physicians and nurses who proscribe the treatment regimes are not the appropriate class of potential consumers. Moreover, the survey's respondents all answered affirmatively to questions asking if, in the last three months, they proscribed a course of treatment that included negative pressure wound therapy.[52] Eighty percent of nurses, certified as wound care specialists, and eighty percent of physicians had used or were familiar with KCI's V.A.C.-brand wound drainage system.[53] Therefore, KCI did poll the appropriate class of consumers.

Second, BlueSky also contests the sufficiency of KCI's evidence supporting actual deception, necessary if the statements are not false but only misleading. KCI contends that if the statement regarding cost-effectiveness is misleading, then, the anecdotal physician testimony pertaining to the poor results and added expenses creates a genuine issue of material fact regarding actual deception. BlueSky responds that the physicians admit that many other factors are also important in the wound healing process, and, therefore, the evidence of actual deception is unavailing, for lack of causation concerning the poor performance. KCI responds with deposition testimony of a physician who successfully used the V.A.C.-brand system on a patient, immediately after using the V1 with poor results.[54]

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[51] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 7; Pl. App. Ex. A at 160:10-25 and 161:1-14.

[52] Pl. Surreply to Def. Reply to Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 329), Ex. 3.

[53] *Id.*

[54] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 9; Pl. App. Ex. E at 39:3-14. Though this evidence does not scientifically establish that the V.A.C. system outperforms the V1, it does rise to the level of a fact question sufficient to survive summary judgment.

KCI argues further that deposition testimony establishes that three physicians tried the V1, as a direct result of BlueSky's representations that it performed comparably to the V.A.C.-brand therapy.[55] Moreover, KCI contends that Dr. Reisetter's survey provides ample evidence of actual deception, resulting from the advertisement and marketing campaigns–deception occurring between 35.5% and 92.3% of healthcare professionals.[56] Specifically, the survey found that many physicians, knowledgeable and sophisticated consumers, attributed characteristics and clearances to the V1 that it does not possess.[57] Therefore, KCI alleges sufficient evidence on summary judgment to create a genuine issue of material fact as to the falsity of or, at least, as to the materiality of misleading statements made to potential consumers, required by element two of a false advertising claim.

(5) ***The plaintiff has been or is likely to be injured as a result of the statement at issue.***

BlueSky avers that KCI has failed to provide evidence of injury or the likelihood of injury. Specifically, BlueSky deposed a witness who testified that sales revenues of KCI's V.A.C.-brand system have increased since the introduction of BlueSky's V1. However, as KCI contends, BlueSky's logic is flawed; the increase in KCI's sales does not necessarily result in the conclusion that KCI has not suffered any damages. Pointing to the record, KCI argues that the

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[55] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 7; Pl. App. Ex. E at 36:13-15; App. Ex. D at 27:1-8, 42:1-10, and 43:1-15; App. Ex. L at 40:11–25.

[56] Pl. Surreply to Def. Reply to Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 329), Ex. 2 at 4.

[57] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 16; Pl. App. Ex. N at 14.

market has grown.[58] KCI cites testimony of its President, stating that he knows that KCI has lost business as a result of BlueSky's sales in specific sectors of the market: with Anthem insurance company, with some extended care facilities, and with "a handful" of hospitals.[59] Moreover, the deposition testimony of physicians who were induced to try BlueSky's products as a result of BlueSky's advertising campaign evidences a loss of sales. Under the statute, BlueSky's profits can be the measure of damages;[60] BlueSky has earned between one and three million dollars during each relevant year.[61] Therefore, Blue Sky's argument is not dispositive of the matter and a genuine issue of material fact exists, as to the extent of injury. Consequently, BlueSky's motion for summary judgment of KCI's false advertising claim is DENIED.

4. Count Six: Federal Unfair Competition

Defendant BlueSky moves for summary judgment with respect to Plaintiff KCI's claim of federal unfair competition. The test for federal unfair competition is likelihood of confusion among consumers as to the source, affiliation, or sponsorship of the products or services.[62] In assessing likelihood of confusion several factors, also referred to as the digits of confusion, may be considered: (a) similarity of products, (b) identity of retail outlets and

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[58] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 11; Pl. App. Ex. Q at 7.

[59] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 11; Pl. App. Ex. R at 63:12-19.

[60] *See* 15 U.S.C. § 1117(a)

[61] Pl. Surreply to Def. Reply to Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 329), Ex. 6 at 37:25-38:11; Ex. 7 at 124:24-125:8.

[62] 15 U.S.C. § 1125(a); *Scott Fetzer Co.*, 381 F.3d at 483.

purchasers, (c) identity of advertising media, (d) type of trademark, (e) alleged infringer's intent, (f) similarity of design, (g) actual confusion, and (h) degree of care exercised by purchasers.[63] Likelihood of confusion is a question of fact.[64]

BlueSky, addressing most of the factors, challenges the sufficiency of KCI's evidence to support an unfair competition claim, arguing first that the retail outlets used by the parties differ. BlueSky contends that orders for KCI's V.A.C.-brand system are placed in a distinct and centralized location from which no BlueSky products can be purchased, thus eliminating any consumer confusion. However, as KCI contends, the purchasers–healthcare professionals–are the same, and KCI, like BlueSky, also employs sales representatives in order to solicit business. KCI offers Dr. Reisetter's survey to create an issue of fact by showing that forty-five percent of physicians surveyed were approached by sales representatives for one of the two companies.[65] Of those, eighty-nine percent remembered being approached about the V.A.C.-brand system, and fifty percent recalled discussing the Versatile One.[66] Therefore, KCI contends that confusion is likely since both companies sell their products, via similar means, in the same market.

Further rebuffing BlueSky's motion for summary judgment, KCI focuses on factor (e) of the likelihood of confusion analysis for unfair competition, averring that BlueSky's intentional conduct weighs heavily in KCI's favor–opposing summary judgment. KCI argues that "[i]f the mark was adopted with the intent of deriving benefit from the reputation of [KCI,] that fact alone

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[63] *Blue Bell Bio-Medical v. Cin-Bad, Inc.*, 864 F.2d 1253, 1259 n.7 (5th Cir. 1989).

[64] *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 258 (5th Cir. 1980).

[65] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 16; Pl. App. Ex. N at 14.

[66] *Id.*

'may be sufficient to justify the inference that there is confusing similarity."[67] KCI then argues that BlueSky's president admitted to paying Internet search engines to associate the phrase "wound VAC" with BlueSky's website.[68] KCI contends that this intentional conduct impermissibly usurps the goodwill of KCI's "V.A.C." trademark and other unique terms associated with KCI's products. Moreover, KCI adds that this misappropriation is likely to cause either source or initial interest confusion among Web browsers.

These "digits of confusion" create genuine issues of material fact, and the credibility and weight of each factor is best left to a determination by a jury. Therefore, BlueSky's motion for summary judgment, as to the claim of unfair competition, is DENIED.

5. Count Seven: Federal Trademark Infringement

Defendant BlueSky moves for summary judgment as to Plaintiff KCI's claim of federal trademark infringement.[69] Under federal trademark law:

> (1) Any person who shall, without consent of the registrant–
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> > (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive...shall be liable in a civil action by the registrant for the remedies hereinafter provided.[70]

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[67] *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 263 (5th Cir. 1980).

[68] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232) at 21; Pl. App. Ex. B at 192:14-193:11.

[69] The qualifications of KCI's two federally registered trademarks, "V.A.C." and "Vacuum Assisted Closure," are uncontested.

[70] 15 U.S.C. § 1114(1)(a).

Therefore, like federal unfair competition analysis, trademark infringement also hinges on an inquiry into likelihood of confusion; the same factor analysis is pertinent. Evidence of actual confusion is not necessary to find a likelihood of confusion.[71]

KCI contends that initial interest confusion establishes a fact issue concerning a likelihood of confusion. Initial interest confusion "occurs when a customer is lured to a product by the similarity of the mark, even if the customer realizes the true source of the goods before the sale is consummated."[72] Deposition testimony establishes that BlueSky paid Internet search engines to associate KCI's trademarks with BlueSky's website, so that a link to BlueSky's website appears in the sponsored links portion of the search results page next to the organic list containing the link to KCI's website. KCI does not provide any evidence (e.g. survey, etc.) to support the contention that consumers were actually confused by BlueSky's sponsored link. However, the mere use of trademarked keywords has been found to create a likelihood of initial interest confusion.[73] The fact that BlueSky purchased KCI's trademarks as keywords from Internet search engines is also relevant to the intent factor of the digits of confusion, weighing in KCI's favor–defeating BlueSky's motion for summary judgment. Therefore, KCI has presented sufficient evidence to raise a fact issue, as to the likelihood of consumer confusion. BlueSky's motion for summary judgment, as to federal trademark infringement, is DENIED.

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[71] *Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188, 203 (5th Cir. 1998).

[72] *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812 (7th Cir. 2002) (citing *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 94 F.3d 376, 382 (7th Cir. 1996); *see also Bayer Corp. v. Custom School Frames, LLC*, 259 F.Supp.2d 503, 509 (E.D. La. 2003); *see also MCW v. Badbusinessbureau.com*, 2004-1 Trade Cas. (CCH) P74, 391 (N.D. Tex. 2004); *see also Playboy Enterprises, Inc. v. Netscape Commun Corp.*, 354 F.3d 1020 (9th Cir. 2004); *see also Government Employees Insur. Co. v. Google, Inc.*, 2005 U.S. Dist. LEXIS 18642. (E.D. Va. 2005).

[73] *Id.*

6. Count Eight: Common Law Trademark Infringement

Defendant BlueSky moves for summary judgment with respect to Plaintiff KCI's claim of common law trademark infringement. A trademark infringement action under Texas common law is treated no differently from one that is brought under federal law,[74] except that the mark need not be registered to fall within the common law's protective swath.[75] In addition to its federally registered trademarks, KCI argues that BlueSky infringes its common law rights as senior user of the "Negative Pressure Wound Therapy" mark. In support of this contention, KCI relies on Dr. Reisetter's survey which found that physicians consider Negative Pressure Wound Therapy to be synonymous with KCI's V.A.C.-brand system.[76]

The digits of confusion factor analysis again provides the appropriate test.[77] Even though KCI and BlueSky utilize the same advertising media, BlueSky argues that its advertisements clearly indicate, by use of its own unique logo, the independent source of its products and, therefore, do not mislead potential customers regarding the origin of the Versatile One. Moreover, BlueSky provides testimonial evidence to support its contention that no actual confusion exists between the two products, despite employing negative pressure wound therapy language in its advertisements. However, KCI relies on Dr. Reisetter's survey to contradict BlueSky's assertion. The survey finds that consumers of negative pressure wound therapy

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[74] *Zapata Corp. v. Zapata Trading Intn'l, Inc.*, 841 S.W.2d 45, 47 n.3 (Tex. App. 1992).

[75] *See Cano v. Macarena*, 606 S.W.2d 718, 722 (Tex. Civ. App. - Corpus Christi 1980, writ dism'd).

[76] Pl. Response to Def. Motion for Partial Summary Judgment (Docket No. 232), Ex. N.

[77] *See Horseshoe Bay Resort Sales Co. v. Lake Lyndon B. Johnson Improvement Corp.*, 53 S.W.3d 799, 809 (Tex. App. - Austin 2001).

systems experience confusion when confronted with BlueSky's advertisements because only KCI's V.A.C.-brand system is approved by medicare for reimbursement as a negative pressure wound therapy device.[78] Therefore, for these reasons and for the reasons stated above (*supra* section 5), summary judgment is DENIED.

7. Count Fourteen: Common Law Unfair Competition

Defendant BlueSky moves for summary judgment with respect to Plaintiff KCI's claim of common law unfair competition. Unfair competition is an "umbrella for all statutory and nonstatutory causes of action arising out of business conduct which is contrary to honest practice."[79] The elements of a common law unfair competition claim based on misappropriation, alleged by KCI, are:

> (1) the creation by plaintiff of a product through extensive time, labor, skill, and money;
>
> (2) the use of that product by defendant in competition with the plaintiff, thereby giving the defendant a special competitive advantage because he was burdened with little or none of the expense incurred by the plaintiff in the creation of the product; and
>
> (3) commercial damage to the plaintiff.[80]

BlueSky only contests the sufficiency of evidence in support of elements (2) and (3) of KCI's common law unfair competition claim.

Based on survey data, KCI argues that the phrase, "negative pressure wound therapy," is

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[78] *Id.*

[79] *American Heritage Life Ins. Co. v. Heritage Life Insurance Co.*, 494 F.2d 3, 14 (5th Cir. 1974).

[80] *Alcatel USA, Inc. v. DGI Techs., Inc.*, 166 F.3d 772, 788 (5th Cir. 1999).

synonymous with the V.A.C.-brand wound drainage system in health care industry and that, consequently, BlueSky impermissibly appropriates the goodwill of KCI by associating its products with the phrase. Additionally, KCI points to the use of its trademark, "V.A.C.," in connection with BlueSky's website. Also, fact issues exist with respect to the issue of damages (as discussed *supra* section 3). As previously discussed, genuine issues of material fact exist, as to these issues, and summary judgment in favor of BlueSky is, therefore, inappropriate on the common law misappropriation claim.

CONCLUSION

For the foregoing reasons, the Court finds that Plaintiffs have raised a genuine issue of material fact as to one or more essential elements as to claims 3-8 and 14 of their causes of action. ACCORDINGLY, IT IS ORDERED that Defendant BlueSky 's Motion for Partial Summary Judgment (Docket No. 185) is DENIED.

It is so ORDERED.

Signed this ___ day of November, 2005.

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ROYAL FURGESON
UNITED STATES DISTRICT JUDGE